

SIDNEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Sidney Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Jeff Jorgensen	President	2007
Heidi Lowthorp	Vice President	2009
Rusty Monroe	Board Member	2007
Janet Teten	Board Member	2008
Randy Bishop	Board Member	2009
Board of Education (After September 2007 Election)		
Jeff Jorgensen	President	2011
Randy Bishop	Vice President	2009
Mike Daly	Board Member	2011
Janet Teten	Board Member	2008
Heidi Lowthorp	Board Member	2009
School Officials		
Gregg Cruickshank	Superintendent	2008
Joyce Morgan	District Secretary/Treasurer	2008
Mundt, Franck, & Schumacher	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Sidney Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Sidney Community School District, Sidney, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Sidney Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

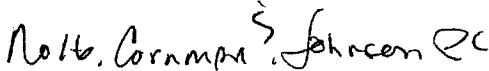
In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2009 on our consideration of the Sidney Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sidney Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sidney Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,567,078 in fiscal year 2007 to \$3,802,108 in fiscal year 2008, while General Fund expenditures increased from \$3,459,511 in fiscal 2007 to \$3,594,826 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$590,229 in fiscal 2007 to a balance of \$800,698 in fiscal 2008.
- The increase in General Fund revenues was attributable to an increase in state grant revenues in fiscal 2008. The increase in expenditures was due primarily to an increase in other instruction expenditures.
- Overall, the District's net assets increased in the governmental activities and decreased in business-type activities, \$441,350 and \$10,486, respectively.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Sidney Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Sidney Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Sidney Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Sidney Community School District Annual Financial Report

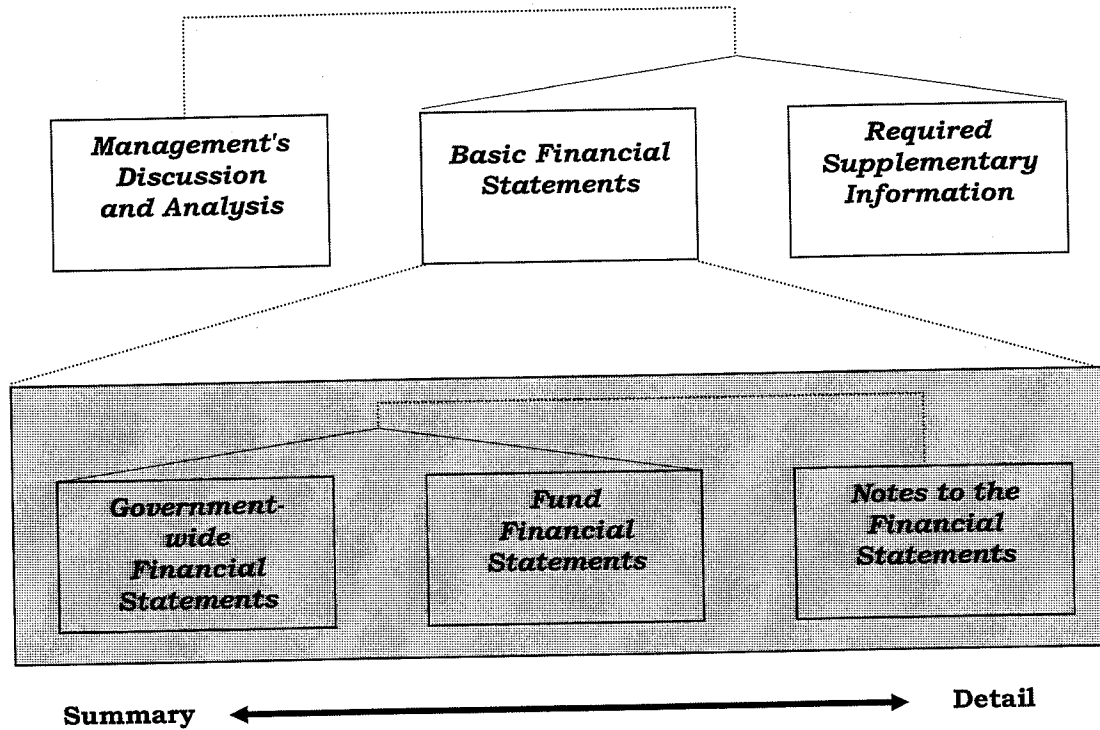


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two Government-wide statements financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District's Internal Service Funds, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has two Internal Service Funds for the handling of Flex benefits and a Health Reimbursement Account (HRA).

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 4,045,484	4,067,770	14,374	21,991	4,059,858	4,089,761	-0.73%
Capital assets	3,672,874	3,838,274	36,226	41,692	3,709,100	3,879,966	-4.40%
Total assets	7,718,358	7,906,044	50,600	63,683	7,768,958	7,969,727	-2.52%
Long-term obligations	2,793,584	2,986,608	0	0	2,793,584	2,986,608	-6.46%
Other liabilities	2,283,708	2,719,720	6,782	9,379	2,290,490	2,729,099	-16.07%
Total liabilities	5,077,292	5,706,328	6,782	9,379	5,084,074	5,715,707	-11.05%
Net assets:							
Invested in capital assets, net of related debt	892,286	851,666	36,226	41,692	928,512	893,358	3.94%
Restricted	831,648	662,055	0	0	831,648	662,055	25.62%
Unrestricted	917,132	685,995	7,592	12,612	924,724	698,607	32.37%
Total net assets	\$ 2,641,066	2,199,716	43,818	54,304	2,684,884	2,254,020	19.12%

The District's combined net assets increased by 19.12%, or \$430,864, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$169,593, or 25.62% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$226,117, or 32.37%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance which occurred due to increased state foundation aid and tuition.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4 Changes of Net Assets								
	Governmental Activities		Business-type Activities		Total School District		Total Change	
	2008	2007	2008	2007	2008	2007	2007-08	
Revenues:								
Program revenues:								
Charges for services	\$ 255,710	330,014	78,816	78,196	334,526	408,210	-18.05%	
Operating grants and contributions and restricted interest	607,530	527,433	79,279	90,913	686,809	618,346	11.07%	
General revenues:								
Property tax	1,524,347	1,527,856	0	0	1,524,347	1,527,856	-0.23%	
Local option sales and service tax	220,729	245,761	0	0	220,729	245,761	-10.19%	
Unrestricted state grants	1,701,967	1,518,127	0	0	1,701,967	1,518,127	12.11%	
Unrestricted investment earnings	98,289	142,397	30	31	98,319	142,428	-30.97%	
Other	45,825	19,983	0	0	45,825	19,983	129.32%	
Total revenues	4,454,397	4,311,571	158,125	169,140	4,612,522	4,480,711	2.94%	
Program expenses:								
Governmental activities:								
Instructional	2,506,783	2,255,207	0	0	2,506,783	2,255,207	11.16%	
Support services	1,182,575	1,117,117	0	0	1,182,575	1,117,117	5.86%	
Non-instructional programs	0	0	168,611	162,211	168,611	162,211	3.95%	
Other expenses	323,689	552,158	0	0	323,689	552,158	-41.38%	
Total expenses	4,013,047	3,924,482	168,611	162,211	4,181,658	4,086,693	2.32%	
Net income(loss) before capital contributions	441,350	387,089	(10,486)	6,929	430,864	394,018	9.35%	
Capital contributions	0	0	0	8,093	0	8,093	-100.00%	
Changes in net assets	441,350	387,089	(10,486)	15,022	430,864	402,111	7.15%	
Beginning net assets	2,199,716	1,812,627	54,304	39,282	2,254,020	1,851,909	21.71%	
Ending net assets	\$ 2,641,066	2,199,716	43,818	54,304	2,684,884	2,254,020	19.12%	

In fiscal 2008, property tax and unrestricted state grants account for 72.43% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.98% of the revenue from business type activities.

The District's total revenues were approximately \$4.61 million of which \$4.45 million was for governmental activities and less than \$0.16 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.94% increase in revenues and an 2.32% increase in expenses. Unrestricted state grants increased \$183,840 to fund increases in expenditures.

Governmental Activities

Revenues for governmental activities were \$4,454,397 and expenses were \$4,013,047 for the year ended June 30, 2008.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 2,506,783	2,255,207	11.16%	1,778,261	1,516,330	17.27%
Support services	1,182,575	1,117,117	5.86%	1,182,056	1,114,040	6.11%
Other expenses	323,689	552,158	-41.38%	189,490	436,665	-56.61%
Totals	<u>\$ 4,013,047</u>	<u>3,924,482</u>	<u>2.26%</u>	<u>3,149,807</u>	<u>3,067,035</u>	<u>2.70%</u>

For the year ended June 30, 2008:

- The cost of all governmental activities this year was \$4,013,047.
- A portion of the cost financed by users of the District's programs was \$255,710.
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$607,530.
- The net cost portion of governmental activities was financed with \$1,524,347 in property tax, \$220,729 in local option sales and service tax, \$1,701,967 in unrestricted state grants \$98,289 in interest income, and \$45,825 in other general revenue.

Business-Type Activities

Revenues of the Districts business-type activities were \$158,125 and expenses were \$168,611. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Sidney Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,631,635, compared to last years ending fund balance in governmental funds of \$1,250,194. However, the primary reason for the increase in combined fund balances in fiscal 2008 is due to the increase in the District's General Fund balance.

Governmental Fund Highlights

- The District's General Fund increased \$210,469. The increase is due primarily to an increase in state foundation aid and tuition revenues.
- The District's Physical Plant and Equipment Levy Fund increased by \$13,097 due to a decrease in expenditures.
- The District's Capital Projects Fund increased by \$49,246. The increase is due primarily to revenues being greater than expenditures.
- The District's Management Fund increased by \$24,572 due to the revenues exceeding the expenditures.
- The District's Debt Service Fund increased by \$85,610 due to a large decrease in expenditures for the year.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$54,304 to \$43,818. The decrease in net assets is mainly due to the decrease in operating grants and contributions for the year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$100,125 less than budgeted receipts, a variance of 2.13%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested governmental funds of \$3,709,100, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$227,333.

The original cost of the District's capital assets was \$ 6.5 million. Governmental funds accounted for \$6.4 million, with the remainder of \$.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$326,844 at June 30, 2008 compared to \$414,020 reported at June 30, 2007. This decrease resulted primarily from the disposal of equipment and depreciation expense for the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 7,500	7,500	0	0	7,500	7,500	0.00%
Buildings	3,364,788	3,445,746	0	0	3,364,788	3,445,746	-2.35%
Land improvements	9,968	12,701	0	0	9,968	12,701	-21.52%
Machinery and equipment	290,618	372,327	36,226	41,692	326,844	414,019	-21.06%
Total	<u>\$ 3,672,874</u>	<u>3,838,274</u>	<u>36,226</u>	<u>41,692</u>	<u>3,709,100</u>	<u>3,879,966</u>	<u>-4.40%</u>

Long-Term Debt

At June 30, 2008, the District had \$2,793,584 in general obligation and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$2,045,000 at June 30, 2008.

The District had total outstanding Qualified Zone Academy Bonds payable of \$700,000 at June 30, 2008.

The District had a computer lease payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$4,078 at June 30, 2008.

As of June 30, 2008, the District had a bus lease payable of \$31,510. This lease is payable from the Capital Projects Fund.

The District had termination benefits payable of \$12,996 at June 30, 2008. These termination benefits are payable from the General Fund.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 2,045,000	2,240,000	-8.71%
Qualified Zone Academy Bonds	700,000	700,000	0.00%
Termination benefits	12,996	0	100.00%
Computer lease	4,078	7,834	-47.94%
Bus lease	31,510	38,774	-18.73%
Totals	<u>\$ 2,793,584</u>	<u>2,986,608</u>	<u>-6.46%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janet Lemrick, Board Secretary, Sidney Community School District, 2754 Knox Road, PO Box 609, Sidney, Iowa, 51652.

BASIC FINANCIAL STATEMENTS

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP(Note 4)	\$ 342,771	0	342,771
Other	1,982,317	13,539	1,995,856
Receivables:			
Property tax:			
Delinquent	31,810	0	31,810
Succeeding year	1,465,819	0	1,465,819
Income surtax	100,070	0	100,070
Accounts	34,582	5	34,587
Accrued ISCAP interest(Note 4)	130	0	130
Due from other governments	87,985	0	87,985
Inventories	0	830	830
Capital assets, net of accumulated depreciation(Note 5)	3,672,874	36,226	3,709,100
TOTAL ASSETS	7,718,358	50,600	7,768,958
LIABILITIES			
Accounts payable	169,515	0	169,515
Salaries and benefits payable	294,444	5,786	300,230
ISCAP warrants payable(Note 4)	340,000	0	340,000
ISCAP accrued interest payable(Note 4)	100	0	100
ISCAP unamortized premium	5,831	0	5,831
Accrued interest payable	6,243	0	6,243
Deferred revenue:			
Succeeding year property tax	1,465,819	0	1,465,819
Other	1,756	0	1,756
Unearned revenue	0	996	996
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds payable	205,000	0	205,000
Severance	12,996	0	12,996
Computer lease	4,078	0	4,078
Bus lease	31,510	0	31,510
Portion due after one year:			
General obligation bonds payable	1,840,000	0	1,840,000
Qualified Zone Academy Bonds payable	700,000	0	700,000
TOTAL LIABILITIES	5,077,292	6,782	5,084,074
NET ASSETS			
Invested in capital assets, net of related debt	892,286	36,226	928,512
Restricted for:			
Teacher mentoring	173	0	173
Market factor incentives	538	0	538
Capital projects	201,493	0	201,493
Management levy	102,179	0	102,179
Physical plant and equipment levy	20,102	0	20,102
Debt service levy	475,324	0	475,324
Other special revenue purposes	31,839	0	31,839
Unrestricted	917,132	7,592	924,724
TOTAL NET ASSETS	\$ 2,641,066	43,818	2,684,884

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit B

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,552,342	129,112	452,394	(970,836)	0	(970,836)
Special instruction	647,232	56,421	20,937	(569,874)	0	(569,874)
Other instruction	307,209	69,658	0	(237,551)	0	(237,551)
	<u>2,506,783</u>	<u>255,191</u>	<u>473,331</u>	<u>(1,778,261)</u>	<u>0</u>	<u>(1,778,261)</u>
Support services:						
Student services	139,589	0	0	(139,589)	0	(139,589)
Instructional staff services	99,592	0	0	(99,592)	0	(99,592)
Administration services	399,557	0	0	(399,557)	0	(399,557)
Operation and maintenance of plant services	306,385	0	0	(306,385)	0	(306,385)
Transportation services	237,452	519	0	(236,933)	0	(236,933)
	<u>1,182,575</u>	<u>519</u>	<u>0</u>	<u>(1,182,056)</u>	<u>0</u>	<u>(1,182,056)</u>
Other expenditures:						
Facilities acquisitions	14,493	0	2,995	(11,498)	0	(11,498)
Long-term debt interest	72,835	0	0	(72,835)	0	(72,835)
AEA flowthrough	131,204	0	131,204	0	0	0
Depreciation(unallocated)*	105,157	0	0	(105,157)	0	(105,157)
	<u>323,689</u>	<u>0</u>	<u>134,199</u>	<u>(189,490)</u>	<u>0</u>	<u>(189,490)</u>
Total governmental activities	4,013,047	255,710	607,530	(3,149,807)	0	(3,149,807)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	168,611	78,816	79,279	0	(10,516)	(10,516)
Total	<u>\$ 4,181,658</u>	<u>334,526</u>	<u>686,809</u>	<u>(3,149,807)</u>	<u>(10,516)</u>	<u>(3,160,323)</u>
General Revenues:						
Local tax for:						
General purposes				\$ 1,277,139	0	1,277,139
Debt service				219,856	0	219,856
Capital outlay				27,352	0	27,352
Local option sales and services				220,729	0	220,729
Unrestricted state grants				1,701,967	0	1,701,967
Unrestricted investment earnings				98,289	30	98,319
Other				45,825	0	45,825
Total general revenues				<u>3,591,157</u>	<u>30</u>	<u>3,591,187</u>
Changes in net assets				441,350	(10,486)	430,864
Net assets beginning of year				2,199,716	54,304	2,254,020
Net assets end of year				<u>\$ 2,641,066</u>	<u>43,818</u>	<u>2,684,884</u>

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Debt Service	Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 342,771	0	0	342,771
Other	1,144,147	470,347	331,509	1,946,003
Receivables:				
Property tax:				
Delinquent	24,512	4,977	2,321	31,810
Succeeding year	1,085,937	271,115	108,767	1,465,819
Income surtax	100,070	0	0	100,070
Accounts	34,582	0	0	34,582
Accrued ISCAP interest(Note 4)	130	0	0	130
Due from other governments	60,461	0	27,524	87,985
TOTAL ASSETS	\$ 2,792,610	746,439	470,121	4,009,170
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 163,774	0	5,741	169,515
Salaries and benefits payable	294,444	0	0	294,444
ISCAP warrants payable(Note 4)	340,000	0	0	340,000
ISCAP accrued interest payable(Note 4)	100	0	0	100
ISCAP unamortized premium	5,831	0	0	5,831
Deferred revenue:				
Succeeding year property tax	1,085,937	271,115	108,767	1,465,819
Income surtax	100,070	0	0	100,070
Other	1,756	0	0	1,756
Total liabilities	1,991,912	271,115	114,508	2,377,535
Fund balances:				
Reserved for:				
Debt service	0	475,324	0	475,324
Teacher Mentoring	173	0	0	173
Market factor incentives	538	0	0	538
Unreserved:				
Designated for special purposes	8,611	0	0	8,611
Undesignated	791,376	0	355,613	1,146,989
Total fund balances	800,698	475,324	355,613	1,631,635
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,792,610	746,439	470,121	4,009,170

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 16) \$ 1,631,635

*Amounts reported for governmental activities in the
Statement of Net Assets are different because:*

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in the governmental funds. 3,672,874

Blending of the Internal Service Funds to be reflected
on an entity-wide basis. 36,314

Accrued interest payable on long-term liabilities is not due
and payable in the current period and, therefore, is not
reported as a liability in the governmental funds. (6,243)

Accounts receivable income surtax, is not yet available
to finance expenditures of the current fiscal period. 100,070

Long-term liabilities, including bonds payable and qualified
zone academy bonds payable, termination benefits payable,
computer lease payable, and bus lease payable are not due
and payable in the current period and, therefore,
are not reported in the funds. (2,793,584)

Net assets of governmental activities (page 14) \$ 2,641,066

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Debt Service	Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,200,672	219,856	322,991	1,743,519
Tuition	185,330	0	0	185,330
Other	119,724	13,157	91,270	224,151
Intermediate sources	2,368	0	0	2,368
State sources	2,086,664	185	86	2,086,935
Federal sources	207,350	0	0	207,350
Total revenues	3,802,108	233,198	414,347	4,449,653
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	1,548,722	0	0	1,548,722
Special instruction	647,232	0	0	647,232
Other instruction	231,869	0	71,211	303,080
	2,427,823	0	71,211	2,499,034
Support services:				
Student services	139,589	0	0	139,589
Instructional staff services	86,978	0	12,614	99,592
Administration services	385,287	0	11,283	396,570
Operation and maintenance of plant services	256,858	0	52,696	309,554
Transportation services	167,087	0	13,454	180,541
	1,035,799	0	90,047	1,125,846
Other expenditures:				
Facilities acquisitions	0	0	35,959	35,959
Long-term debt:				
Principal	0	206,020	0	206,020
Interest and fiscal charges	0	73,336	0	73,336
AEA flowthrough	131,204	0	0	131,204
	131,204	279,356	35,959	446,519
Total expenditures	3,594,826	279,356	197,217	4,071,399
Excess(deficiency) of revenues over(under) expenditures	207,282	(46,158)	217,130	378,254
Other financing sources(uses):				
Sale of equipment	3,187	0	0	3,187
Transfers in	0	131,768	0	131,768
Transfers out	0	0	(131,768)	(131,768)
Total other financing sources(uses)	3,187	131,768	(131,768)	3,187
Net change in fund balances	210,469	85,610	85,362	381,441
Fund balances beginning of year	590,229	389,714	270,251	1,250,194
Fund balances end of year	\$ 800,698	475,324	355,613	1,631,635

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 18) \$ 381,441

*Amounts reported for governmental activities in the
 Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 56,467	
Depreciation expense	<u>(221,867)</u>	(165,400)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 206,020

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 30,227

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 1,557

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 501

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Severance	<u>(12,996)</u>
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Changes in net assets of governmental activities (page 15) \$ 441,350

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	Business-Type	
	Activities:	Governmental
	Enterprise	Activities:
	Fund	Internal
	School	Service
	Nutrition	Fund
ASSETS		
Cash and pooled investments	\$ 13,539	36,314
Due from other governments	5	0
Inventories	830	0
Capital assets, net of accumulated depreciation (Note 5)	36,226	0
Total assets	50,600	36,314
LIABILITIES		
Salaries and benefits payable	5,786	0
Unearned revenue	996	0
Total liabilities	6,782	0
NET ASSETS		
Invested in capital assets	36,226	0
Unrestricted	7,592	36,314
Total net assets	\$ 43,818	36,314

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	Business-Type	
	Activities:	Governmental
	Enterprise	Activities:
	Fund	Internal
	School	Service
	Nutrition	Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 78,811	131,145
OPERATING EXPENSES:		
Non-instructional programs:		
Salaries	65,941	0
Benefits	18,362	100,918
Services	871	0
Supplies	77,246	0
Depreciation	5,466	0
Other	725	0
TOTAL OPERATING EXPENSES	168,611	100,918
OPERATING INCOME (LOSS)	(89,800)	30,227
NON-OPERATING REVENUES:		
State sources	2,107	0
Federal sources	77,177	0
Interest on investments	30	0
TOTAL NON-OPERATING REVENUES	79,314	0
Changes in net assets	(10,486)	30,227
Net assets beginning of year	54,304	6,087
Net assets end of year	\$ 43,818	36,314

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	Business-Type	
	Activities:	Governmental
	Enterprise	Activities:
	Fund	Internal
	School	Service
	Nutrition	Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 77,962	\$ 0
Cash received from miscellaneous operating activities	990	131,145
Cash payments to employees for services	(86,518)	(100,918)
Cash payments to suppliers for goods or services	(71,370)	0
Net cash provided by (used in) operating activities	(78,936)	30,227
Cash flows from non-capital financing activities:		
State grants received	2,107	0
Federal grants received	71,260	0
Net cash provided by non-capital financing activities	73,367	0
Cash flows from investing activities:		
Interest on investments	30	0
Net increase(decrease)in cash and cash equivalents	(5,539)	30,227
Cash and cash equivalents at beginning of year	19,078	6,087
Cash and cash equivalents at end of year	\$ 13,539	\$ 36,314
Reconciliation of operating income (loss) to net cash provided by(used in)operating activities:		
Operating income (loss)	\$ (89,800)	\$ 30,227
Adjustments to reconcile operating income (loss) to net cash provided by(used in)operating activities:		
Commodities consumed	5,913	0
Depreciation	5,466	0
Decrease in inventories	1,981	0
Decrease in accounts receivable	102	0
Decrease in accounts payable	(422)	0
Decrease in salaries and benefits payable	(2,215)	0
Increase in unearned revenue	39	0
Net cash provided by (used in) operating activities	\$ (78,936)	\$ 30,227
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 13,539	\$ 36,314

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$5,913.

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Sidney Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Sidney, Iowa, and the predominate agricultural territory in Fremont County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sidney Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Sidney Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Fremont County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to

customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008 expenditures did not exceed budgeted amounts.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 754</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 131,768

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final	Investments	Accrued	Warrants Payable	Accrued
		Warrant Maturity		Interest Receivable		Interest Payable
2008-09A	6/26/08	6/25/09	\$ 342,771	130	340,000	100

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP had no advance activity in the General Fund for the year ended June 30, 2008.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.448%
2008-09A	3.500%	3.469%

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,500	0	0	7,500
Total capital assets not being depreciated	7,500	0	0	7,500
Capital assets being depreciated:				
Buildings	5,245,052	21,466	0	5,266,518
Land improvements	188,376	0	0	188,376
Machinery and equipment	953,343	35,001	16,477	971,867
Total capital assets being depreciated	6,386,771	56,467	16,477	6,426,761
Less accumulated depreciation for:				
Buildings	1,799,306	102,424	0	1,901,730
Land improvements	175,675	2,733	0	178,408
Machinery and equipment	581,016	116,710	16,477	681,249
Total accumulated depreciation	2,555,997	221,867	16,477	2,761,387
Total capital assets being depreciated, net	3,830,774	(165,400)	0	3,665,374
Governmental activities capital assets, net	\$ 3,838,274	(165,400)	0	3,672,874
Business-type activities:				
Machinery and equipment	\$ 104,389	0	0	104,389
Less accumulated depreciation	62,697	5,466	0	68,163
Business-type activities capital assets, net	\$ 41,692	(5,466)	0	36,226

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 30,881
Other	4,129

Support services:

Administration	2,987
Operation and maintenance of plant	1,281
Transportation	77,432

116,710

Unallocated depreciation

105,157

Total depreciation expense - governmental activities

\$ 221,867

Business-type activities:

Food services operations	\$ 5,466
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(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,240,000	0	195,000	2,045,000	205,000
Qualified zone academy bonds	700,000	0	0	700,000	0
Termination Benefits	0	25,992	12,996	12,996	12,996
Computer lease	7,834	0	3,756	4,078	4,078
Bus lease	38,774	0	7,264	31,510	31,510
Total	\$ 2,986,608	25,992	219,016	2,793,584	253,584

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of April 1, 2004			
		Principal	Interest	Total	
2009	2.40 %	\$ 205,000	66,115	271,115	
2010	2.65	210,000	61,195	271,195	
2011	2.85	215,000	55,630	270,630	
2012	3.15	220,000	49,502	269,502	
2013	3.35	235,000	42,572	277,572	
2014-17	3.45-3.80	960,000	88,546	1,048,546	
Total		\$ 2,045,000	363,560	2,408,560	

Qualified Zone Academy Bonds

During the year ended June 30, 2003, the District issued zero interest Qualified Zone Academy Bonds (QZAB). Annual transfers from the Capital Projects - Local Option Sales and Services Tax fund to a debt sinking fund will be made to pay the indebtedness due December 15, 2010, of \$700,000.

Computer Lease

Details of the District's June 30, 2008 computer lease indebtedness, which is paid from the Physical Plant and Equipment Levy Fund, is as follows:

Year Ending June 30,	Computer lease dated May 10, 2006			
	Interest Rates	Principal	Interest	Total
2009	8.28 %	\$ 4,078	321	4,399

Bus Lease

Details of the District's June 30, 2008 bus lease indebtedness, which is paid from the Capital Projects Fund, is as follows:

Year Ending June 30,	Bus lease dated February 5, 2006		
	Principal	Interest	Total
2009	\$ 31,510	1,490	33,000

Termination Benefits

The District offered a special termination benefit for an employee that resigned during the year. The District agreed to pay \$12,072.12 for the remainder of the employee's contract plus the increase in one family insurance premium for 2009-2010 on June 30, 2009. The balance remaining to be paid on termination benefits at June 30, 2008 was \$12,996.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$122,380, \$110,322, and \$104,189 respectively, equal to the required contributions for each year.

(8) Risk Management

Sidney Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$131,204 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SIDNEY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary		Budgeted Amounts		Final to
	Fund Types	Fund Type	Total			Actual
	Actual	Actual	Actual	Original	Final	Variance
Revenues:						
Local sources	\$ 2,153,000	78,846	2,231,846	2,243,380	2,243,380	(11,534)
Intermediate sources	2,368	0	2,368	0	0	2,368
State sources	2,086,935	2,107	2,089,042	2,204,523	2,204,523	(115,481)
Federal sources	207,350	77,172	284,522	260,000	260,000	24,522
Total revenues	4,449,653	158,125	4,607,778	4,707,903	4,707,903	(100,125)
Expenditures:						
Instruction	2,499,034	0	2,499,034	3,186,665	3,186,665	687,631
Support services	1,125,846	0	1,125,846	1,348,291	1,348,291	222,445
Non-instructional programs	0	168,611	168,611	217,637	217,637	49,026
Other expenditures	446,519	0	446,519	695,746	695,746	249,227
Total expenditures	4,071,399	168,611	4,240,010	5,448,339	5,448,339	1,208,329
Excess(Deficiency) of revenues over(under) expenditures	378,254	(10,486)	367,768	(740,436)	(740,436)	1,108,204
Other financing sources, net	3,187	0	3,187	16,000	16,000	(12,813)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures	381,441	(10,486)	370,955	(724,436)	(724,436)	1,095,391
Balance beginning of year	1,250,194	54,304	1,304,498	3,241,851	3,241,851	(1,937,353)
Balance end of year	\$ 1,631,635	43,818	1,675,453	2,517,415	2,517,415	(841,962)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

SIDNEY COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total	Capital Projects	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 101,349	35,108	19,483	155,940	175,569	331,509
Receivables:						
Property tax:						
Current year delinquent	1,702	0	619	2,321	0	2,321
Succeeding year	80,000	0	28,767	108,767	0	108,767
Due from other governments	0	0	0	0	27,524	27,524
TOTAL ASSETS	\$ 183,051	35,108	48,869	267,028	203,093	470,121
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 872	3,269	0	4,141	1,600	5,741
Deferred revenue:						
Succeeding year property tax	80,000	0	28,767	108,767	0	108,767
Total liabilities	80,872	3,269	28,767	112,908	1,600	114,508
Unreserved fund balances:	102,179	31,839	20,102	154,120	201,493	355,613
TOTAL LIABILITIES AND FUND BALANCES	\$ 183,051	35,108	48,869	267,028	203,093	470,121

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Total
	Manage-	Student	Physical		Capital	Other
	ment	Activity	Plant and		Projects	Nonmajor
	Levy		Equipment	Total		Governmental
			Levy			Funds
REVENUES:						
Local sources:						
Local tax	\$ 74,911	0	27,352	102,263	220,728	322,991
Other	9,937	69,658	810	80,405	10,865	91,270
State sources	63	0	23	86	0	86
TOTAL REVENUES	84,911	69,658	28,185	182,754	231,593	414,347
EXPENDITURES:						
Current:						
Instruction:						
Other instruction	0	71,211	0	71,211	0	71,211
Support services:						
Instructional staff	0	0	6,472	6,472	6,142	12,614
Administration services	3,639	0	7,644	11,283	0	11,283
Operation and maintenance of plant services	48,246	0	0	48,246	4,450	52,696
Student transportation	8,454	0	0	8,454	5,000	13,454
Other expenditures:						
Facilities acquisitions	0	0	972	972	34,987	35,959
TOTAL EXPENDITURES	60,339	71,211	15,088	146,638	50,579	197,217
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER)						
EXPENDITURES	24,572	(1,553)	13,097	36,116	181,014	217,130
OTHER FINANCING USES:						
Transfers out	0	0	0	0	(131,768)	(131,768)
NET CHANGE IN FUND BALANCE	24,572	(1,553)	13,097	36,116	49,246	85,362
FUND BALANCE BEGINNING OF YEAR	77,607	33,392	7,005	118,004	152,247	270,251
FUND BALANCE END OF YEAR	\$ 102,179	31,839	20,102	154,120	201,493	355,613

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Daisy Hummel Memorial	\$ 330	0	0	330
Drama Club	0	313	313	0
Musical	1,167	0	1,167	0
Vocal Music	784	691	532	943
Swing Choir/Jazz Band	210	151	224	137
JH Athletics	2,891	4,025	5,257	1,659
JH Girls Basketball	183	0	0	183
Golf	267	490	260	497
Boys Basketball	2,246	2,509	4,755	0
Football	3,993	6,817	7,700	3,110
FB Fundraiser	1	880	0	881
Baseball	0	1,561	1,497	64
Boys Track	0	1,064	1,064	0
Wrestling	831	587	1,418	0
Girls Basketball	3,796	4,505	5,726	2,575
Volleyball	937	2,404	2,495	846
Softball	0	2,667	2,634	33
Girls Track	0	920	880	40
Art Club	1,216	693	863	1,046
FFA	2,018	0	0	2,018
FCCLA	307	1,281	910	678
Honor Society	363	485	341	507
Letterman Club	1,354	0	0	1,354
Student Council HS	559	1,839	1,140	1,258
Student Council JH	1,261	335	134	1,462
Student Concession AC	571	606	1,177	0
Trophy Case	170	0	0	170
Business Club	0	2,423	1,034	1,389
Band Projects	632	357	304	685
BB Cheerleaders	157	268	293	132
Class of 2005	170	0	170	0
Class of 2008	3,518	180	2,042	1,656
Class of 2009	116	9,159	6,232	3,043
Class of 2010	50	0	0	50
FB Cheerleaders	879	2,317	3,048	148
WR Cheerleaders	22	772	475	319
Athletics Pop Machine	0	11,744	11,130	614
Elementary Activities	1,154	3,197	2,677	1,674
Industrial Arts	151	0	0	151
Interest	0	832	832	0
Elementary Pop Machine	115	1,733	1,442	406
Library	15	0	15	0
P.E. Fundraiser	304	0	0	304
Plays	654	848	25	1,477
Athletic Season	0	1,005	1,005	0
Total	\$ 33,392	69,658	71,211	31,839

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

		Modified Accrual Basis				
		Years Ended June 30,				
		2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$	1,743,519	1,773,618	1,758,105	1,633,214	1,675,765
Tuition		185,330	203,497	146,025	124,819	104,926
Other		224,151	281,439	260,332	285,964	151,977
Intermediate sources		2,368	0	0	0	0
State sources		2,086,935	1,862,149	1,801,552	1,649,337	1,579,256
Federal sources		207,350	183,410	170,584	196,792	149,207
Total	\$	4,449,653	4,304,113	4,136,598	3,890,126	3,661,131
Expenditures:						
Current:						
Instruction:						
Regular instruction	\$	1,548,722	1,549,988	1,451,545	1,383,753	1,378,326
Special instruction		647,232	612,881	488,056	442,290	432,934
Other instruction		303,080	222,333	311,437	298,717	279,155
Support services:						
Student services		139,589	129,148	134,148	113,912	108,455
Instructional staff services		99,592	108,393	133,909	78,533	72,056
Administration services		396,570	379,710	370,155	455,720	400,681
Operation and maintenance of plant services		309,554	305,048	288,372	278,940	245,471
Transportation services		180,541	185,875	257,805	149,636	162,110
Other expenditures:						
Facilities acquisitions		35,959	57,008	39,740	240,802	646,678
Long-term debt:						
Principal		206,020	2,250,395	158,207	135,000	130,000
Interest and other charges		73,336	191,631	196,603	205,650	220,241
AEA flow-through		131,204	115,493	109,205	108,712	110,293
Total	\$	4,071,399	6,107,903	3,939,182	3,891,665	4,186,400

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Sidney Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sidney Community School District of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 17, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sidney Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Sidney Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sidney Community School District's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Sidney Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Sidney Community School District's financial statements that is more than inconsequential will not be prevented or detected by Sidney Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Sidney Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sidney Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sidney Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Sidney Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sidney Community School District and other parties to whom Sidney Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sidney Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2009

SIDNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-08 Gate Admissions - During our audit we noted that the District doesn't utilize pre-numbered tickets for all events that require admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling cash.

- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” of the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - We will review our present procedures and consider the recommended reconciliation procedures.

Conclusion - Response accepted.

- I-C-08 Purchase Orders - We noted during our audit that the District didn’t utilize purchase orders correctly. We noted instances of purchase orders used by the Athletic Director were not always approved properly. We also noted that purchase orders were not pre-numbered.

Recommendation - Better internal control is achieved when pre-numbered purchase orders are used and the sequence is monitored. The District should review the purchase order system in place. Purchase orders provide approval to order, therefore, pre-numbered purchase orders should be approved by the administrator before the ordering of supplies takes place.

Response - We will continue to review our procedures and implement additional controls and procedures where possible.

Conclusion - Response accepted.

- I-D-08 Board Policies - We noted during our audit the District’s board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed. We also noted that the District has not implemented a capital asset policy that states the capitalization thresholds to be used for the accounting of capital assets. The District also does not have a policy in place for the use of District owned cell phones.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - On March 16, 2009 the Board of Directors finished a review of board policies that has occurred over the last 2 ½ years. The District will continue to implement current procedures so board policies are reviewed in a timely manner.

Conclusion - Response accepted.

I-E-08 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - The District should determine if the outstanding checks should be reissued, voided, or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1st as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - The District will look into the outstanding checks and submit them to the State as unclaimed property if deemed necessary.

Conclusion - Response accepted.

SIDNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Statutory Reporting

- II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The District will implement internal controls to insure minutes are published timely.

Conclusion - Response accepted.

- II-G-08 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-J-08 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The District has requested fronts and backs of checks from the banks.

Conclusion - Response accepted.